TABLE OF CONTENTS

PAGE

PAST AND PRESENT: THE STOCK EXCHANGE IN 1929 AND 1937

By Hargreaves Parkinson (Associate Editor of "The Economist") 115

NOTES OF THE MONTH 126

HOME REPORTS 131

OVERSEAS REPORTS 145

STATISTICS 160

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Past and Present: The Stock Exchange in 1929 and 1937

By Hargreaves Parkinson

(*Associate Editor of " The Economist "*)

THERE is a pulsation in human affairs which is at least as old as the Flood. " While the earth remaineth, seed-time and harvest, and cold and heat, and summer and winter, and day and night shall not cease." And the life of a corporate society moves with a corporate rhythm, which has sometimes been accelerated or retarded, but has never been eliminated by the policy of statesmen. The foundation of any scientific comparison of the operations of the Stock Exchange in 1937 and in 1929 must be the recognition that one is, and the other was, a period of high business activity, and between them lies one of the severest depressions in the annals of industry.

Between 1929 and 1932, the Board of Trade's index of British production fell (annual averages), by 16½ per cent., the number of insured employed persons by 872,000, and the total value of British overseas trade by £942 millions. During the next four years, industrial production rose by 38 per cent. of its 1932 level, total employed workers by 1,548,000, and overseas

trade by £232 millions. Thus, Britain's position to-day is far from being a replica of that of 1929. During the depression, many changes have occurred which are destined long to outlive the emergency which brought them to birth. The pound sterling has been divorced from the gold standard. A system of tariffs has replaced the system of free trade which, for nearly a century, before 1932, determined the nature and distribution of Britain's overseas trade and the identity and location of her main industries. World trade itself has been made subject to national regulations of every kind. In Britain there has been a significant shifting of the industrial centre of gravity from external to domestic trades. According to the Board of Trade's estimates, the total volume of British industrial production was 15 per cent. higher, but the volume of British exports was 23½ per cent. lower, last year, than in 1929. Finally, progressive rearmament elsewhere has had its delayed but inevitable effect; a significant part of Britain's productive energy is being turned to the purposes of national defences.

Let us examine the points of similarity and the points of difference between 1937 and 1929, one by one, in a Stock Exchange context. Prosperity generates optimism; optimism stimulates enterprise; and the Stock Exchange is the place where enterprise and optimism meet. To-day, as in 1929, with widespread employment and rising national income, there is a steadily increasing flow of resources into investment. But the Stock Exchange wears its bays, in 1937, with a difference. In the first place, 1929 was a year of high interest rates, while during the last four and a-half years interest rates have been at a lower level, for a longer period, than at any time in the last three or four decades. In 1929 the British Government actually borrowed at 5 per cent.; last year it borrowed at well under 3 per cent. In 1929, industrial companies paid 5½ per cent., on the average, for money raised by debentures; in 1936 they paid around 4 per cent. For borrowers requiring financial accommodation for short periods through the agency of the London Money Market, the comparison between the present time and the last pre-depression year is even more favourable. Bank rate has been standing at 2 per cent. for over four and a-half years; in 1929 it started at 4½ per cent. and was raised to a maximum of 6½ per cent. The market rate of discount on three months' bank bills, at the time of writing, is a little more than ½ per cent.; in 1929 it averaged 5¼ per cent.

Of all influences on the volume of business in the security markets, interest rates are probably the most potent. A rise in bank rate, in February, 1929, was the sequel for a downturn in security prices which lasted, almost without intermission, until the spring of 1932. In 1929, however, there was a special cause making for high interest rates; for an unprecedented Stock Exchange boom in the United States of America was being dangerously financed by borrowed money. In the summer of that year, fantastic rates of interest were paid for "call money" in America, and Wall Street became a magnet for the free resources of every country in the world. For Great Britain, then on the gold standard, the raising of interest rates was the only effective weapon for the protection of the gold reserve. To-day we have been living for five and a-half years under a system in which our economy is largely insulated from high-frequency currents of financial electricity in countries overseas. The insulation, it is true, is not complete; contemporary activity on the New York Stock Exchange has already attracted a certain amount of British money across the Atlantic—the more so because the last sustained rise in American security prices did not get fairly well under way until the British rise had become well established. But since the British pound was untied from gold in 1931, the entire basis of our currency and credit has been broadened. In the Exchange Equalisation Account the authorities have a powerful instrument, not only for smoothing out exchange fluctuations, but also, if they wish, for increasing the funds effectively available to the British financial system. Every transfer of gold from the Exchange Equalisation Account to the Bank of England, without an identical reduction in the Bank's fiduciary note issue (i.e., the notes which the Bank is authorised to issue without gold backing) broadens the base of the pyramid of credit. The authorities have a further instrument of defensive control in their powers of veto on the subscription of foreign loans in London, exercised through an Advisory Committee on which the City is well represented, and backed by a non-statutory but highly effective "request" for the co-operation of all concerned.

Quite apart, however, from any question of Government control, the balance of the British security markets is very different to-day from what it was in 1929. To say that interest

rates are lower is equivalent to saying that the value of gilt-edged stocks is higher. But a considerable part of the entire volume of British Government securities is held by trustees and others whose holdings, for various reasons, do not vary greatly over short periods. Of the remainder—the really "marketable" securities of the gilt-edged market—an appreciably larger share is held by the British banking system to-day than eight years ago. The average weekly deposit figures of the London clearing banks (expressed on a comparable basis) were £2,231 millions last January against £1,846 millions in January, 1929; and the banks' investments (which are predominantly gilt-edged securities) totalled £640 millions against £265 millions. In other words, the banks' investments have not only increased by 142 per cent., but they are equivalent to 29 per cent. of total deposits to-day as compared with 14 per cent. eight years ago.

Another factor whose full implications, even to-day, have hardly been realised, affects a wider area of the Stock Exchange field than the gilt-edged market alone. The medium-sized industrial company, drawing its long-term resources from the new issue market and the Stock Exchange, and its short-term resources from the banks, has tended increasingly, during recent years, to be drawn into the orbit of larger-scale industrial organisation. The holding company is tending progressively to become the prevailing type; industry is carried on less by independent units of moderate size and more by large and potent *federations* of companies. One of the consequences of this far-reaching evolutionary process is that the industrial group of to-day is more self-financing than in even so recent a year as 1929. It is able to centralise its resources, to distribute them—strategically, seasonally and geographically—along lines which effect a great economy in their use. It has a closer control over the dividend policy of its constituent members than is exercisable by a miscellany of independent companies, acting in isolation. It has been particularly noteworthy, consequently, that, during the trade recovery of the last four years, many important industrial concerns have tended to finance long-term extensions of their business out of their own profits rather than by appealing to the investor.

All these forces, acting together, have made for a significant rise in the average *quality* of the securities dealt in on the Stock

Exchange, and a certain limitation of their *quantity*. It is a striking fact that the total new issues in the London capital market, during the last three years of low interest rates, have been appreciably less than those of 1929 and earlier years, when the "price" of new capital was much dearer. Official policy, so far as it has been applied to the capital market, has mainly tended towards selectivity. It has been most in evidence in that section of the market where speculative investment risks are normally highest—i.e., the flotation of foreign bonds. Even by 1929, this branch of new issue business had been reduced to a shadow of its pre-war proportion. Whereas in 1913 foreign countries (outside the British Empire) took £84 millions, equivalent to 43 per cent. of the total money raised by prospectus issues in London during that year, in 1929 their total was only £26 millions (equal to 9 per cent. of the total prospectus issues). Subsequently, however, the decreased credit-worthiness of many foreign borrowers and the strictness with which British official regulation has been applied, has reduced the total to almost a negligible figure. Out of total prospectus borrowings of £256 millions in 1936, less than £1 million (0·3 per cent.) went to foreign countries. [The "old basis" figures of *The Economist* are given throughout.] Ultimately, there is little doubt that a modified resumption of Britain's rôle as an exporter of capital may be the complement of a recovery in the volume of her exports of goods to its former dimensions—particularly if the decision forms part of a world-wide movement to restore international trade to the comparative freedom it enjoyed before the epoch of tariffs, quotas and exchange regulations. But that time, obviously, is not yet, and it seems certain that for some time to come foreign issues will be subject to much the same limiting influences as at present.

In any case, the industrial revival of the last four or five years has been much more a domestic affair than any of its predecessors. From the outset, the industries producing so-called capital goods, rather than those turning out consumers' goods, have given it its main impetus. Of the capital goods trades themselves, the two which have been most prominent in revival have been building and the metal trades—particularly steel. A large proportion of the record activity in residential building has, in fact, been financed by small- and medium-sized investors through the building societies, whose

operations lie entirely outside the purview of the Stock Exchange. Between the beginning of 1932 and the end of 1935, the building societies of Great Britain advanced, in all, as much as £440 millions in new mortgage loans to house-purchasers. The greater part of the new construction of factories and business premises which has been effected in the course of the industrial recovery of the last few years has been financed by the companies directly concerned, frequently out of their own resources, and sometimes by the issue of new capital for plant extensions, which has eventually obtained the facility of a Stock Exchange quotation. Such residential building as has secured its wherewithal from the new capital market has usually been raised by companies formed to erect or acquire large blocks of buildings, particularly new offices and modern flats. Like all movements in a period when popular optimism runs high, the unlimited flotation of new property-owning companies may have elements of danger if it is carried to excess; and this criticism may have special relevance if the flotation of new companies, formed to develop speculative residential building estates, proceeds unchecked at a time when a contraction is widely predicted in the future demand for new dwellings of this type. On the whole, however, it is true to say that the new building and property companies, whose shares have been offered to investors in the last few years, have been of much sounder investment quality, and have had far more solid assets behind them, than the ill-fated gramophone record, patent photography and corkscrew manufacturing concerns which loomed so large in the boom of 1928–29.

The phenomenal increase in the activity of the metal-producing and consuming industries—typified by a rise in Britain's output of crude steel from 5,257,000 tons in 1932 to 11,699,000 tons in 1936—has broadened its front with every new advance it has made. Starting at the heavy end of its great group of industries, it has spread to mechanical engineering, electrical engineering, motor and aircraft construction, armament work (since the inception of the Government's defence programme) and, finally, to shipbuilding. The repercussions of this revival on the Stock Exchange have followed lines which have been somewhat peculiar but not unexpected in view of the position in which the steel industry found itself when revival began. In the preceding decade,

depression had become endemic in many branches of the industry. The first stages of revival, therefore, provided an opportunity for re-employing idle capacity and carrying out financial re-organisation, rather than for raising new capital on a large scale. It is only recently that the tendency of demand to outrun capacity has begun to necessitate large plant extensions and a substantial appeal to the investor by leading concerns with big programmes in hand.

So far as rearmament is concerned, some of the extensions necessitated by the Government's programme have been, or will be, financed by the Government itself; and the full effect of other parts of the programme has hardly yet been seen. The terms of the London Treaty, for example, prevented the laying down of keels for new battleships before January 1st, 1937. The rôle of the investing public—and particularly of its more speculative sections—has been restricted chiefly to discounting the ultimate economic effects of recovery and rearmament on the constructional trades, rather than financing their current demands for new capital. The effects have been twofold. On the one hand, the shares of established steel, engineering and shipbuilding companies, whose Stock Exchange quotations remained depressed throughout 1928 and 1929, have now risen substantially. Stock Exchange history affords few more striking examples of the exaltation of the lowly. On the other hand, prevailing optimism has encouraged the flotation of numerous new public companies in trades which may not unfairly be described as the camp followers of recovery and rearmament. New aircraft, foundry, engineering and metal-working companies have been formed, in some instances, in the hope of obtaining Government sub-contracts, or otherwise sharing at second- or third-hand in the fruits of rearmament activity. Here, undoubtedly, we have the closest parallel between present conditions and those of 1928-29. The critics have not been slow to point out the weaknesses of some recent flotations: uncertainty whether all the companies will secure large Government orders or be able to execute them; generous capitalisation and a demand for large share premiums from the investor, based on the results of a single prosperous year; and the probability that the small size of some companies will prevent their shares from enjoying a reasonably free market on the Stock Exchange.

The future will show how much force lies behind these contentions. In every period of optimism, a certain number of marginal financial propositions are brought to birth which in staider epochs would have small prospect of obtaining public subscription; and a certain aftermath of disappointment has hitherto been the inevitable sequel. There are reasons, however, for believing that the average quality, even of the most speculative companies of the 1936–37 vintage, is higher than those of 1928–29. In the interim, an amended and extended Companies Act has come into operation, which has prohibited the hawking of doubtful shares, has insisted on the publication of separate profits figures (where available) for each of the three years preceding any issue of capital, and has required the subscription of such an amount of capital as offers a reasonable prospect that a company will be able to carry on successful trading operations. If similar legal provisions had been in force nine years ago, many new companies with nothing more substantial behind them than the hopes of their promoters, would never have seen the light. The attitude of the Stock Exchange Committee for General Purposes, further, has been helpful in backing up the obvious intentions of the draughtsmen of the Companies Act of 1929. The Committee have, wherever practicable, required that the granting of facilities for Stock Exchange dealings shall be preceded by the report of at least one year's operations in the case of companies which are exploiting new ideas, processes or inventions. The Chancellor of the Exchequer has also drawn attention to the advisability of submitting such propositions to the Department of Scientific Research before offering them to the investor. As a result the new companies of 1936–37, unlike many of 1928–29, have at least been going concerns, with some sort of business and some tangible assets behind them. Whether they will all succeed is, perhaps, debateable; but their prospects at least rest on something more solid than an application to the Patent Office.

We may now proceed to sum up the main conclusions which emerge from this review. British investment has a much more domestic background to-day than in 1929. It is a function of a monetary system which is less liable to be diverted by external influences from any course its pilots may set. But it

is not completely immune from changes of barometric pressure. The British authorities may control the volume of domestic credit at its source, but their policy may be modified by many forces: international fears, armament politics, movements towards freer trade or otherwise, currency policies, changing commodity prices, and so on. At the beginning of 1937 the resultant of all these forces is a diversion of increased resources into armament programmes on the one hand, and a tendency towards rising prices on the other. In 1929, prices were falling steeply and the trend of world business affairs was definitely deflationary. In 1937, prices are rising and the trend of affairs is expansive.

There are two elements which, at any given moment, govern the level of investment values—interest rates and security. The former decides how much an investor will pay, here and now, for the *certainty* of a given future income; the second regulates the adjustment he makes for the possibility that the income which he, in fact, receives will rise or fall in the future. At the end of 1928, British Government 2½ per cent. Consols were quoted at 54½. In January, 1935, they were above 94, and at the moment of writing their price is 77½. Of all measures of a "pure" interest rate, the yield on 2½ per cent. Consols comes nearest exactitude, for the security of the stock is unquestionable and its effective life is, for practical purposes, unlimited. On the basis of the quotations given above, it is clear that investors were prepared to pay £100 for an income in perpetuity of £4 12s. per annum at the end of 1928, £2 13s. in January, 1935, and £3 3s. in February, 1937. Interest rates, in other words, are considerably lower to-day than they were nine years ago, but they have risen by a measurable distance from the lowest point touched, just over two years ago. The second factor in security values—which may be termed the equity factor—depends, ultimately, on the volume of economic activity, the size of the national income and the manner in which that income is shared among the various companies and public authorities in which investors are interested. Even in industrial company debentures, and still more in preference shares, there is a definite equity element; for although the income on these securities cannot rise above the maximum "fixed interest" figure stipulated in their respective contracts, it can, in unfavourable circumstances, fall below

it. Consequently, an improved " industrial risk," other things being equal, means higher prices for fixed interest industrial stocks, and *vice versa*. Conversely, industrial ordinary shares, which are industrial risk-bearing securities *par excellence*, have a considerable " pure interest " element in their prices; for investors obviously will pay more for the prospect of receiving, say, a 10 per cent. dividend when general interest rates are low than when they are high.

Now the conditions in Great Britain and the world as a whole, which have been described above, point to the possibility of an expanding economy, with rising commodity prices, in the immediate future, by contrast with a contracting economy, with falling commodity prices, in 1929. If this is so, then investment prospects on the *equity* side may be regarded as eminently favourable, but on the *interest* side they are more open to question. For in the long run low interest rates are a concomitant of inactive rather than of active trade. Whether the authorities can and should take measures to check any incipient upward tendency in interest rates is a question beyond the scope of this article. What chiefly matters for our present purpose is the fact that the trend of developments since 1929 has increased the importance of the interest element and somewhat reduced that of the equity element, in security values as a whole. New issue control, the requirements of British company law, and the policy of the Stock Exchange Committee, have made for quantitative restriction and qualitative improvement in new securities—in other words, they have reduced the average risk element in investment. The growing rôle of large, influential and well-organised company groups in the governance of industry has, similarly, increased the safety factor in ordinary shares. The phrase " gilt edged industrial " is being increasingly used to describe the ordinary shares of large concerns whose dividends have a high degree of stability plus an equity in increased dividends which is more likely to affect their valuation in the long run than in the short run.

The present writer's survey of investment prospects, therefore, concludes with a paradox. The immediate outlook for the Stock Exchange and its wares depends less on conditions affecting the risk element than on those affecting the safety element in values. The trend of recent years

towards improved quality has increased investors' prospects of receiving a relatively stable income, and emphasised their vested interest in maintaining, as far as possible, a steady capital price for a given income. In short, the fundamental difference between 1929 and 1937 is that whereas *elasticity* in probable future income was a sound argument for selling a security eight years ago, it may be an equally sound argument for purchasing or retaining it to-day.

February 18th, 1937. HARGREAVES PARKINSON.

Notes of the Month

The Money Market.—February proved an uneventful month in the money market. Conditions were on the whole very easy, with the banks buying Treasury bills at their minimum rate of $\frac{1}{2}$ per cent., in contrast with the higher rates current during December. The market rate for three months' bank bills was $\frac{17}{32}$–$\frac{9}{16}$ per cent., which is also very low. Money has remained plentiful, but rates have at times been a little firmer than usual. The key to the whole position is that during the first quarter of the calendar year the bulk of the year's revenue is collected. Hence current revenue receipts run greatly in excess of current expenditure, and the surplus is applied to the redemption of Treasury bills. In illustration of this, between December 26th and February 20th the total issue of Treasury bills by tender fell from £614 to £520 millions. On the one hand, therefore, there is a growing shortage of bills, which tends to keep discount rates low. On the other hand, money is continually being withdrawn from the banks by customers who are paying their taxes, and while it quickly returns to the banks in redemption of Treasury bills held by them, there are times when the banks are temporarily short of funds. This naturally tends to make short-loan rates a shade firmer. In addition, during February the banks were having to find £8 millions a week in respect of the new sterling credit of £40 millions raised in London by the French railways at the end of January, and this may also have helped to make money a little less plentiful. Still, there is not the smallest sign of any real shortage, and apart from the above influences, which are mainly of a temporary and technical character, the monetary ease of the past few years is continuing.

The Foreign Exchanges.—The London market was very quiet during February. There had, in fact, developed an impression that foreign exchange business was being lost to Paris and other centres, and this is the chief cause of the recent reduction of brokerage charges in the London market which took effect as from March 1st. It remains to be seen whether these changes will attract fresh business to London. American dollars have been firm with no definite tendency. The French franc has strengthened slightly since the arranging of the new London credit of £40 millions, but confidence in its future is by no means completely restored. Dutch guilders have been

firm. The Netherlands Bank reduced its gold price in the middle of February, and misunderstandings over the significance of this change led temporarily to heavy sales of guilders against dollars. The guilders were bought up by the Dutch authorities, and it was quickly realised that the Bank's gold price was hardly effective, as gold can also be dealt in internally at a higher price, which corresponds more closely to the London parity. These offerings of guilders therefore only lasted a short time, and the guilder has now recovered its normal strength. Swiss francs have been firm owing to further repatriation of capital and a successful winter sports season. The new German standstill agreement has evoked mixed feelings in London. The agreement includes a proposal to impose a licence of 10s. per 100 marks cash on all dealings in registered marks. The proceeds of the licence fees will accrue to the standstill creditors, but on the other hand the total cost of registered marks to foreign visitors to Germany will be increased. It remains to be seen if this will seriously diminish the demand for registered marks, and thus raise the discount against those foreign creditors who wish to liquidate their claims.

The Stock Exchange.—Markets during February were overshadowed by the announcement of the Government's rearmament programme and the proposed methods of financing it. Total expenditure of £1,500 millions and maximum borrowing of £400 millions naturally appeared to be large figures, and it was not fully realised either that both amounts were to be spread over five years or that the expenditure total included the normal cost of defence already being financed out of taxation. Hence the initial result was an acceleration of the downward trend of prices which began soon after the New Year. There were heavy declines during early February both in the gilt-edged market and also in other sections of the market such as home rails and industrials. The underlying feeling was that the Government was not only going to deplete savings by imposing new taxation but was also going to compete for the nation's savings by issuing defence loans. For these reasons an increase in the long-term rate of interest was regarded as more than probable, and this was the main cause of the fall in prices.

Towards the end of the month calmer views began to prevail. Authoritative statements came from private sources,

arguing that the nation's available savings would be easily sufficient to meet the Government's needs and that little or no increase in the long-term rate of interest need be feared. These were only private expressions of opinion, but for the moment they have served to steady markets, and February closed with a firmer tone.

While prices in the main markets have receded, "commodity" shares have, on the whole, been buoyant. There were further advances during February in rubber and oil shares, while base metal mining shares have risen sharply in sympathy with the big increases in non-ferrous metal prices—another consequence of rearmament. Gold-mining shares have fallen slightly, possibly in conformity with the main downward trend.

Commodity prices.—Wholesale price movements have been irregular. The general price level has, on the whole, been moving upwards, and the total increase since the New Year is 2·3 per cent. Compared with the rapid advance of last autumn, this year's rate of increase is moderate, and it is also noticeable that it has been uneven. Wholesale food prices have remained practically unchanged since the end of 1936, and grain prices tended to fall during February. Among textiles, cotton prices were higher in February than in January, but wool prices were irregular with some tendency to recede. Metal prices are under the influence of rearmament. Iron and steel prices are very firm with rumours that new increases are impending, while non-ferrous metal prices advanced very rapidly during February. Coal prices are also higher in some cases. All these details show that this year's wholesale price movements have been irregular with rearmament perhaps the dominating influence.

The official cost-of-living figure for February 1st was 51 per cent. above its level of July, 1914. During January it remained unchanged, but in interpreting this lack of movement it must be remembered that usually there is a seasonal decline during January. On February 1st, 1936, the figure stood at 47, so that it has risen by four points or 2·7 per cent. during the year. The total increase since February 1st, 1934, is 10 points or 7·1 per cent. The retail food price index fell during last January from 36 to 35 per cent. above its pre-war level. The corresponding figure for the end of January, 1936,

was 30 per cent. above pre-war, while on February 1st, 1934, it was as low as 22 per cent. above pre-war. The rise in retail food prices during the past three years has thus been 10·7 per cent. The rise in wholesale food prices during the same period is about 22 per cent.

Overseas Trade.—January exports were again relatively good, so that the New Year has opened with an adverse trade balance slightly below that of January last year. Imports at £75·6 millions, showed an increase of £5·6 millions over those of a year ago, and £3·3 millions of this increase was in the raw materials group. Reviewing the returns as a whole, the chief increases in imports were in grain and flour; meat, cotton, wool, hides and skins, non-ferrous metals, and machinery. In many cases the year's rise in prices was responsible for the increase in the value of imports, while in other cases the influence of rearmament is also traceable. In these circumstances it is very reassuring to learn of the equivalent increase in the value of British exports. This last increase was due largely to heavier exports of coal, raw wool, iron and steel, textiles and vehicles. Re-exports were also larger than a year ago, most of this increase being in re-exports of hides and skins.

	January, 1936	January, 1937	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	70·0	75·6	+5·6
Retained Imports	65·7	70·5	+4·8
Raw Material Imports	22·4	25·7	+3·3
Manufactured Goods, Imports ...	16·0	17·6	+1·6
Total Exports, British Goods	34·5	39·1	+4·6
Coal Exports	2·3	2·5	+0·2
Iron and Steel Exports...	2·7	3·4	+0·7
Cotton Exports	5·1	5·3	+0·2
British Manufactured Goods, Exports...	26·6	29·9	+3·3
Re-exports	4·3	5·1	+0·8
Total Exports	38·8	44·2	+5·4
Visible Trade Balance	−31·2	−31·4	−0·2

The Board of Trade have now issued their official calculation of the country's balance of payments for 1936. The excess of imports of merchandise and silver for 1936 was £347 millions, against £260 millions in 1935—or an increase in the adverse trade balance of £87 millions. As an offset, invisible

exports have increased from £295 to £330 millions, or by £35 millions. £20 millions of this last increase is due to estimated heavier net income earned by British shipping, which has risen from £75 to £95 millions, while the remaining £15 millions arises from an estimated increase from £180 to £195 millions in the net income from British overseas investments. The result is that whereas in 1935 there was a favourable or credit balance of payments of £33 millions, in 1936 there was an adverse or debit balance of £19 millions. This last result need not cause undue anxiety, especially as the latest returns point to a new improvement in our export trade. In any case, it is more than covered by the year's amortisation payments on certain of our overseas investments, while there is not the smallest evidence that the adverse balance of payments has had any effect upon the strength of the pound.

Home Reports

The Industrial Situation

British trade and production continue to expand, and most of the indicators for the New Year point to further activity. During January the number of people in employment fell from 11,132,000 to 11,106,000, and there was a slight increase in unemployment, but these changes were entirely seasonal, as a certain number of people always find themselves thrown out of work by the termination of Christmas trade. There was also a slight drop in iron and steel production between December and January, but the industry is working to capacity and the main problems here are the securing of adequate supplies of essential raw materials and the completion of orders already received. The engineering industry is also experiencing some difficulty in obtaining a sufficiency of raw materials and skilled labour. Shipbuilding is more active than it has been for many years. In the building trades there has recently been some contraction in the number of plans passed, and there is also evidence that factory construction is increasing, while house-building is declining. Still, activity generally is well maintained.

So far a survey of the position suggests that further progress in the capital goods industries is being retarded owing to the simple truth that these industries are already working nearly at capacity. On the other hand there is further progress in those industries which produce goods for consumption. The cotton trade has definitely improved during the last few months. Demand for linen goods is expanding, but the recent check to the rise in raw wool prices has inspired certain feelings of caution in the West Riding. Still machinery there remains well employed. Reports from the clothing, hosiery, boot and shoe and pottery industries are variable, especially as in some cases new business has fallen away since Christmas, but a broad survey of the consumption goods trades shows that business is better than a year ago.

This is confirmed by more general indicators. The latest retail trade returns show an increase of 2·4 per cent. over last year. Higher bank clearings show that money is circulating more freely. Railway goods traffic returns are also higher than a year ago. Raw material imports are maintained, there is a sustained demand for electric power and business in industrial

chemicals is fairly active. All these facts prove that, apart from the expansion of the capital goods industries, higher wages and better employment have brought with them increased consumption throughout the country. Last but not least, there are signs of a new improvement in the export trades. Last year, higher prices for primary products, increased imports of raw materials, and in some cases the inability of home manufacturers to accept export orders combined to increase our adverse trade balance. It was obvious that the first two of these factors would also improve the purchasing power of the primary producing countries which are our chief overseas customers. Hence, if our manufacturers could accept export business as well as meet the insistent home demand, it was only a question of time before our export trade revived. There are now signs that such a revival is beginning.

Meanwhile the Government's rearmament plans have been announced. The initial consequences were a fall in security prices, on the assumption that Government borrowing and capital expenditure would cause the long-term rate of interest to rise, and a further sharp increase in the prices of those raw materials, such as metals, which are required for rearmament. Both these movements may have gone too far, and the opinion has already been publicly expressed that the country's new savings are sufficient to take up the new defence loans and that no serious rise in the long-term rate of interest need be feared. Still, there may be a certain general effect upon future civilian capital construction. To mention one point, there are already signs of an increase in the cost of such construction, and if rearmament work absorbs part of the available supplies both of raw materials and skilled labour, then a further rise in costs would be natural. Also, even a slight increase in the long-term rate of interest, superimposed upon higher construction costs, may mean that some new projects will either be abandoned or postponed until the rearmament programme is complete. This in itself would not be undesirable, for it would mean that new work would already be waiting to take the place of defence work, and this would help to smooth out the course of trade. Still, for the next few years there seems likely to be a shifting-over of the capital goods industries from civilian work to rearmament.

This is for the future to unfold. All that can justifiably be said to-day is that the trade revival is continuing and that the

recent fears of the consequences of the impact of the re-armament programme were perhaps somewhat exaggerated. The programme itself is to extend over five years, and this will leave plenty of time to detect and deal with its economic consequences and problems, as and when they arise.

Agriculture

England and Wales.—According to an official report work on the land at the beginning of February was generally backward. Early sown corn has germinated well in spite of the wet weather. Potatoes are keeping better than was expected earlier in the season. Where lambing has started the fall appears to be satisfactory, but in a few districts losses have occurred owing to the damp conditions. Cattle and sheep have done fairly well. Milk yields are decreasing, owing to the inferior quality of much of last year's hay. With care the existing stocks of winter keep should last until the spring.

Scotland.—Open conditions, notwithstanding the variable weather during February, have enabled good progress to be made with farm work. While there has been flooding in some districts, cultivation generally is very well forward. Winter sown wheat has made good progress, and is looking strong and vigorous. In the produce markets grain has been mostly featureless, but prices have been comparatively steady. Potatoes remain in fair demand with prices unchanged: Kerr's Pink are quoted 90s. to 95s. per ton. In the livestock markets supplies have been well forward generally, with best grade cattle meeting a slightly better demand. Sheep have been steady to firm, and top quality in particular shows some improvement.

Coal

Hull.—There is a good enquiry for both prompt and forward shipment. Collieries are well sold and are therefore securing very high prices for new business. Demand from abroad is strong, and as production is only increasing slowly, prices are again higher, and show no sign of receding. Inland the improved industrial demand is unabated, but domestic consumption is below normal for the time of year.

Newcastle-upon-Tyne.—There is a strong and insistent demand for all classes of fuel, but business moves slowly, especially for prompt deliveries, owing to the difficulty in obtaining supplies. Forward business is being booked at current prices, and steams and graded coal are heavily sold to the end of the year. Enquiries for 1938 are circulating, and sales are reported at slightly discounted prices. Coke is in strong demand, and there is little to dispose of for the rest of this year.

Sheffield.—The demand for steam coal continues strong, and fuller supplies are now available. Best hards are fully taken on inland account, and there is pressure for delivery under contracts for graded steams and all qualities of industrial coal. The export market has improved. Enquiries for forward delivery have increased, and there is a fair demand for prompt shipment. Business in household fuels is good.

Cardiff.—The Welsh coal market remains strong, and supplies of all qualities are exceedingly limited for March and April. Consequently new business is difficult to negotiate, and the small lots available are eagerly taken up at particularly high prices. Foreign demand is good for March, especially for coaling depot account, but beyond this month buyers are hesitating to cover their forward requirements at the prices indicated. Collieries, however, are maintaining their quotations, and in many cases their outputs are sold for some time ahead.

Newport.—Foreign coal shipments during January totalled 286,000 tons, or 12,000 tons less than in the previous five weeks, and 14,000 tons less than in the corresponding period of 1936. The decrease was mainly due to the succession of storms which disorganised shipments considerably during the month.

Swansea.—The demand for anthracite has slackened, and the market has been irregular. All qualities of large anthracite are moving satisfactorily, but sized coals are generally in plentiful supply. Demand for beans and peas continues strong, and culm and duff are also in good request. The steam coal market shows a much better tone, and supplies are not freely available. Large steam coal is a good feature, and smalls and sized coals are very busy and firm. Bunker coals are scarce, and are commanding much better prices.

East of Scotland.—In Fifeshire first class steam coal is fully booked up for some time ahead, and third class steams are moving off freely. In the Lothians the position is firm for all classes of steam coal. Graded fuels are in good request on both sides of the Firth, and prices remain steady.

Glasgow.—Collieries in Scotland are very busy. Demand for large coals and washed material for home delivery and for shipment is so pressing that outputs are absorbed practically as soon as they are produced. In the home trade, very considerable quantities of round coal and smalls are being delivered to industrial consumers, the more important being the iron and steel works in Lanarkshire. Household coal depots and gas and electricity works are also eager to obtain supplies. Home demand is so active, in fact, that producers are not only in arrears with inland deliveries, but are also unable to fulfil completely their commitments with exporters. There is a pronounced scarcity of all descriptions for export, supplies being limited to odd lots, which are quickly picked up by shippers to complete their cargoes. Numerous enquiries from foreign countries for shipment this year and 1938 are circulating, but as collieries are so heavily contracted they are either declining to quote or are only offering limited quantities.

Iron and Steel

Birmingham.—Makers in all branches of the industry are committed for heavy tonnages, and buyers still have substantial orders to place. Deliveries are in arrears, and consumers' principal anxiety is to get delivery of materials on order. Scrap is scarce, and a scheme has been evolved to keep prices at a reasonable level. Some system of rationing supplies is expected, so that urgent work will be given priority.

Sheffield.—The heavy pressure of work in the basic steel section is limiting the acceptance of new business by certain manufacturers. The possibility of price increases in the near future is also affecting the position. Demand is strong in the acid carbon steel market. The output of stainless and alloy steels is practically up to capacity. Manufacturers of aircraft and automobile steels are also fully employed. The scrap market is strong, and prices are firm.

Tees-side.—Demand is unrelaxed, and manufacturers cannot keep pace with the exceptionally large volume of business offered. The growing shortage of steel scrap and foreign ore hampers attempts to increase production, and with plant operating at capacity and output sold for several months ahead, there is a reluctance to accept new contracts. World shortage of iron and steel is reflected in the large expansion of enquiry from abroad, but little business results owing to makers' heavy commitments and the insistent home demand. Neglect of export trade is causing some concern, but the position in the home market is so stringent that there are suggestions that priority certificates may be introduced in connection with the defence programme. Re-rollers are pressing for larger supplies as they are feeling the effects of the reduction in tonnage of semi-finished steel available from the Continent. The need for larger production of pig-iron, semi-finished steel and rolled steel is urgent.

Newport.—Imports of semi-products in January amounted to 9,500 tons, against 17,700 tons in December, and 18,000 tons a year ago. The decline was accounted for mainly by the absence of imports from Canada. Exports of iron and steel and general totalled 12,600 tons, which was 8,900 tons less than in December, but 200 tons more than in January, 1936. Most of the works are employed to capacity.

Swansea.—Demand for tinplates was more active during January. Business, however, was slightly restricted by the uncertainty in regard to steel supplies. The works were much busier, and were employed at 66·99 per cent. of the allotted capacity.

Glasgow.—Makers of iron and steel in the West of Scotland are overwhelmed with orders, and are rejecting numerous offers of new business owing to the scarcity of raw materials. This scarcity threatens to become acute, particularly in the case of steel scrap. In the meantime supplies, though only obtainable with difficulty, are sufficient to prevent a curtailment of production, and the plants are in full operation. Demand for steel is very strong, and in spite of the extensive output makers find it impossible to satisfy requirements fully within the periods specified in contracts. The sheet industry and tube trade are actively employed, and makers of re-rolled steel report full order books. All the fifteen blast furnaces in operation in

Scotland are producing large tonnages, and the output is being readily absorbed almost entirely by home consumers.

Engineering

Birmingham.—All sections remain very active, and the industry continues to benefit from the increased home demand. Export business is a little better, but the improvement is slow. Motor manufacturers are working at high pressure, and production at full capacity for some weeks is expected. A shortage of raw materials is apparent in some cases.

Bristol.—The aircraft section is increasingly busy. Work has already begun on the erection of extensions to the Bristol Aeroplane Company's works at Filton, in connection with the Air Ministry's "Shadow factory scheme." General engineering firms report a continued demand for skilled labour. The building trade shows an improvement compared with a year ago, although there was a slight decrease in employment during January, mainly owing to the bad weather.

Coventry.—Motor car factories are working at full pressure, and the demand for cars is well maintained. Firms engaged upon aircraft engineering work are also busy, and pedal-cycle manufacturers are finding a ready sale for their output. Machine tool makers find it difficult to meet requirements, and can only accept orders for delivery some months ahead.

Leicester.—All departments are exceedingly busy, and will remain so for some time.

Manchester.—Production and orders are being well maintained in the heavy section. The keen demand for electrical equipment both for general engineering purposes and in connection with rearmament continues, and in some cases manufacturers are meeting with difficulty in obtaining skilled labour.

Sheffield.—Business is good in the general engineering section. Most firms are working to capacity and with full order books seem assured of prosperity for some time ahead. The Sheffield tool trade is very active, and many firms are finding extreme difficulty in delivering to date. The principal demand is from the home market, but export returns show a sure and steady increase in practically all sections. One local firm has recently concluded an important contract with Russia.

Walsall.—Both the heavy and light sections remain good. Tube manufacturers are very busy.

Glasgow.—Scottish shipyards have begun the year on a distinctly promising note. The outstanding feature so far is the extent by which new tonnage booked has exceeded the tonnage launched. During January launchings on the Clyde represented a tonnage of about 23,000 tons, while the new tonnage actually laid down was over 67,000 tons gross, and for the whole of Scotland the figure was in the region of 100,000 tons. The majority of the new orders have consisted of mercantile ships, principally cargo vessels, and the position will be still further strengthened in the near future by the receipt of substantial Admiralty work. Marine engineers continue to be well employed, and the rate at which new orders are being booked ensures work for a good many months ahead.

Metal and Hardware Trades

Birmingham.—The hardware trades continue busy. In the cold rolled brass and copper sections home demand has been maintained and conditions are very good. The export position shows little change.

Sheffield.—The cutlery and silver trades are irregular, but on the whole the position is better than a year ago. Several firms are busy with Coronation novelties and presentation pieces, including pocket knives, scissors, spoons and forks. Manufacturers of cheap cutlery will benefit from the recent increase in the duty on imported knives, which should mitigate Japanese competition. The export trade shows signs of improvement.

Walsall.—Trade is good, and prices are on the upward grade.

Chemicals

Business in industrial chemicals has been very fair, with particular activity in acetone, formaldehyde, formic and oxalic acids. Most coal tar products have also been fairly active, and tar acids have been in good demand. Trade in wood distillation products continues good and prices are firm. The pharmaceutical chemicals market has been quiet but steady. Both imports and exports showed an increase in January over those of January, 1936.

Cotton

Liverpool.—On the " spot " market demand has continued good. Textile activity is well maintained and supplies of desirable American cotton are comparatively scarce. " Futures " prices have been somewhat irregular, but the margin between near and distant months has narrowed on speculative interest in new crop positions. Releases of " Loan " cotton in the United States this year are estimated at about 300,000 bales. Under the conditions of release minimum prices are fixed, and buyers are required to take a proportion of low grade cotton which, with a constant widening of the discounts on the lower grades, cannot be disposed of except at a loss. A Government revision of the differential rates on low middling and strict low middling may bring about a closer conformity to existing market quotations. A stricter supervision of cotton growing and distribution is envisaged by the advocacy in Washington of centralised control as the objective of American agricultural policy.

Manchester.—Sales of yarn have been fair, but demand tends to slacken, as consumers are resisting the full increases in price of the last few weeks. Business has been somewhat unevenly distributed, the demand running largely in favour of medium and coarse American counts. The cloth market, after a display of activity at the beginning of February, has now become quieter, but prices are firm. Demand is mainly from the home market, and substantial Government orders for coarse cloths are keeping large numbers of looms well occupied. Export demand has not improved to the same extent. British West Africa, and to a lesser degree the Dutch East Indies, have perhaps provided the most satisfactory features, but India has proved disappointing, and demand has been spasmodic partly owing to the reluctance of buyers to accept current prices.

Wool

Bradford.—There is a feeling that prices have now reached a limit. Users are operating with caution, but machinery is well employed.

Huddersfield.—The high price of wool is affecting the demand for fine worsteds adversely, and the scarcity and high prices of materials used in woollens are also creating some

difficulty in that section of the industry. The demand for woollens, especially fancies for women, however, remains strong, and repeat orders for Coronation cloths are satisfactory.

Hawick.—The Border tweed trade is still only moderately active, but manufacturers hope for better conditions once the new patterns begin to be taken up. A certain amount of foreign business is passing, and trade with America is better. In the hosiery trade knitted woollen goods for outer wear continue in demand, but the underwear branch is easy. Spinners are rather busier, but dyers are not very well employed.

Other Textiles

Dundee.—Apart from some activity in hessian cloths of the wider makes, conditions in the jute market continue to be dull. Only occasional purchases are made, and these are for small quantities for early delivery. Good orders for wide hessians have been placed by the United States, and manufacturers cannot now promise deliveries before several months.

Dunfermline.—The position of the Fifeshire linen trade remains firm, and the strong position of the raw material strengthens the demand of manufacturers for higher rates. Spinners are not showing much interest meantime in the raw material, but they are very busy, and prices are being firmly maintained in spite of the quieter conditions.

Clothing, Leather and Boots

Bristol.—There has been a seasonal increase in unemployment in the ready-made and wholesale bespoke section of the clothing trade, but employment in other branches is satisfactory. In the boot trade business shows an improvement compared with a year ago, and the number of short-time workers decreased during January.

Leicester.—Home trade in hosiery is experiencing the usual seasonal slackness, but immediate prospects are good. Imports of stockings and hose for December, 1936, showed a considerable increase over those of the previous December. Trade in boots and shoes is not quite up to the average for the time of year. Export trade is also very quiet. Prospects, however, are quite good.

Northampton.—Home demand for boots and shoes is quiet, but export trade shows some improvement. Leather prices are firm, but, despite recent good enquiries, very few substantial orders are reported.

Walsall.—The raw hide market is firm, and tanners are well employed. Fancy leather goods manufacturers are experiencing the usual seasonal lull, but the outlook remains hopeful.

Shipping

Bristol.—The trade of the port has been normal. The tonnage of vessels entering the port during January was slightly less than that of the same period of 1936, but imports, notably grain, oilseeds, petroleum and timber, showed slight increases. The stocks held in the Port Authority's warehouses are about average, with the exception of stocks of grain which are below average.

Hull.—There is a steady demand for tonnage, which is scarce. Rates rule quietly firm for all directions.

Liverpool.—The freight market has lately presented no outstanding features. Conditions have been generally quieter, owing to a falling off in the demand for primary commodities, but rates are steady to firm.

Newcastle-upon-Tyne. Fixtures are hindered by difficulties in stemming. Owners are not pressing, and rates generally remain steady at recent levels.

Cardiff.—The freight market is firm. Tonnage is scarce, and rates are consequently improving, especially from the Bay, Portuguese, Atlantic Islands and near Mediterranean Ports.

Newport.—Outward freight rates have declined, particularly in the short trades, but present rates are still well above the disastrously low levels of last Autumn.

Swansea.—Demand has been very disappointing, and comparatively few orders have been quoted for any direction. Rates, however, have been very well maintained, as tonnage has been in short supply and has offered very slowly.

East of Scotland.—There were less than twenty vessels on loading turn at the Forth coaling ports at mid-February. Trade at Leith docks during January was quieter than for the corresponding month last year, and several classes of goods on the import side showed a considerable decrease in volume.

Glasgow.—Tonnage is required chiefly for discharge in the Baltic, and rates are firm for Danish ports in which shippers are mainly interested. There are not many enquiries for boats to carry coal to Mediterranean, Bay and near ports, but the supply is somewhat limited, and the tone is firm in all of these sections.

Foodstuffs

Liverpool, grain.—Shipments of wheat throughout February were heavy, for while the demand has not, on the whole, been maintained at the high level of preceding months, the premiums on current year crop positions encourage shippers to dispose of as much grain as freight conditions permit. Liverpool stocks have increased, but the heavy demand from Germany and Spain has resulted in numerous cargo diversions, and prices have recovered after a moderate reaction early in the month. Assuming that exports from the Southern Hemisphere are maintained on the same level as for the first six months of the current season, the carry-over on the 31st July will be the smallest since 1925. World crop conditions are generally favourable. The maize market has been very strong and, with widespread demand, prices have improved steadily. Argentine reserves are considerably lower than at the corresponding period of last season.

Liverpool, provisions.—The demand for Continental bacon has been restricted with supplies about normal, and the market for American hams maintained at unchanged prices. Values in lard have eased in sympathy with the Chicago market. Canned meats have met with a steady demand at unchanged prices. With the settlement of the American shipping strike normal supplies of canned fruits will shortly be available. Demand is only moderate. Continental butter has had a firm market at better prices, but Empire butter quotations have eased considerably. A fair supply and steady demand for Empire cheese have accompanied lower prices.

Fishing

Brixham.—Landings of wet fish during January amounted to only 5,387 cwts., valued at £6,001, compared with 6,130 cwts., valued at £7,501 in December. The supply of prime fish was small, but prices were high. A few trawlers made up to £180 for a short trip. The market is more normal now that the weather has improved, and prices are steadier.

Hull.—The very heavy weather right through the month caused a good deal of delay. There were very short supplies and high prices in consequence of the gales. Demand was fairly good towards the end of January when the weather moderated. Prices became reasonable, and supplies have improved.

Penzance.—Fishing has been almost at a standstill on account of the recent very bad weather, and the majority of the boats have been confined to harbour.

Scotland.—The herring fishing season off the Firth of Forth is now making good progress, and landings have been improving steadily. By February 18th over 1,000 crans had been landed, with prices ruling from 36s. to 38s. per cran. The line fishing round the coast has also been rather better. There has been a moderate demand, and prices have been fairly steady.

Other Industries

Carpet-making.—Kidderminster reports that employment in the industry is good, demand being exceptionally good for spool axminsters—piece goods, squares and rugs. Owing to the great advance in the price of wools, some manufacturers increased their prices during January by 5 to 10 per cent. Other makers decided that January would be an inconvenient month in which to inflict price changes on dealers. There has been a considerable improvement in export trade, especially to the great wool-producing countries of Australia and New Zealand, the higher prices obtained for their wools being reflected in larger purchases of carpets and other textile goods. Sales so far this year exceed those of last year, both for immediate and for Spring deliveries.

Paper-making and Printing.—Bristol reports that the position generally continues to be satisfactory. Following the Christmas pressure there has been some short time worked in the printing and cardboard box-making sections.

Edinburgh reports continued activity in the local paper trade and practically all the mills have their order books full at present and are working to capacity. Some of the buying may be of a "panic" nature for fear of a further rise. The printing trade is also very busy, mostly on publishing work from the South, and overtime is being worked in the case rooms. The jobbing side is not quite so good.

Pottery.—Longton reports that there was a slight seasonal increase in unemployment during January compared with December, but employment was better than in January, 1936. Orders for Coronation ware have been slow in arriving, and in view of the nearness of the event retailers should place their orders at once. Exports of pottery and clay products for January total £286,121, against £277,531 in January, 1936.

Timber.—Hull reports that business continues on strong lines with heavy sales, both forward and ex stock. Deliveries ex stock are abnormally heavy for the time of the year—particularly in view of the wet weather, which would normally have retarded operations considerably. The defence loan proposals, and Government pronouncements on rearmament policy, giving as they do an assurance of demand for some time to come, enable importers to continue buying with confidence. Supplies, however, are short, and only the Russian sellers have balances of any magnitude to offer, except for delivery at the end of the year.

Newport reports that pitwood imports in January were 2,172 fathoms, compared with 2,728 fathoms in December. There were two arrivals of other timber, both from Finland, totalling 526 standards, compared with 1,519 standards in December, and 1,408 standards in January, 1936.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Industrial production and building operations show further expansion, with factory and shop employment above pre-depression levels. Imports and exports in 1936 were £10 and £13 millions sterling respectively above those of 1935. The higher prices of wool and wheat are expected to add largely to incomes of primary producers this season. On the Stock Exchange, Industrials continue strong, Barriers have eased slightly from high January prices, and Government stocks are a little stronger. January rainfalls have been generally over average, and pastoral conditions have much improved in South and West Australia. More rain is needed in the dairying districts of Queensland.

Canada

From the Imperial Bank of Canada

Further irregular improvements have been made and the level of industrial activity is higher than a year ago, but an unusually mild winter has interfered with timber operations in both Eastern and Western Provinces and has also affected various manufactured products. Still, the seasonal fall in employment is less than for several years past. The general economic index reached a new high point at 121·4 late in January before receding under the influences referred to above, and the improvement was nearly 15 per cent. above a year ago. Hitherto construction has lagged behind, but for the current year contemplated construction, both industrial and residential, is greater than at any time since 1931. Active conditions continue in the pulp and paper, mining and other industries producing basic materials. Packers are benefiting by the Anglo-Canadian pact. The marketing of the wheat surplus has reduced wheat stocks by about 150 million bushels. Interest is now turning to the new crop, the marketing position of which has improved, even though normal yields in the wheat-growing countries may again raise the problem of over-production. Railway gross earnings in 1936 were 6·66 per cent. higher than in 1935, with some improvement in net earnings. Credit for industrial and

commercial needs continues easy, but there are indications that in the field of federal, provincial and municipal financing, a change in the trend of interest rates has been established.

India

Bombay.—In the cotton market the bullish influence of potential world demand is offset by uncertainty as to the release of Government-held cotton and the agricultural programme for 1937. Prices in Bombay rose to a new high level for the season, the chief incentive being the rise on the Sampin Exchange, and reports of damage to the Broach crop owing to cold weather. Confidence was later shaken by the import restrictions on raw materials imposed by Japan. Demand from Indian mills is confined to immediate requirements. Continental and Lancashire enquiry increased, but the market still feels the weight of cotton now arriving in up-country centres.

The better tendency in the piece-goods trade has not been maintained. Business has been slow and clearances far from encouraging. Prices for British goods remain steady chiefly owing to firmness in Manchester, and for the same reason forward trade has been difficult. Later an easier tendency developed. Japanese prices are sagging. With less consumption demand, yarns have been quiet. Prices for British yarns are steady and for Japanese yarns fluctuating and weak.

Calcutta.—Certain important mills have served notices of resignation from the Jute Mills Association, and in consequence it has been decided to suspend *in toto* the agreement regarding working hours, mill extensions, etc., from the beginning of March. The raw jute market has been dull, but lately the tone has been slightly steadier with a fair business passing. The baled jute market was fairly active in the third week of January, but later in the month prices declined, although buying interest was maintained. More recently prices have recovered and the market is quiet. The hessians market was upset by the Association's decision, but later it was felt that supplies would not become excessive for at least a few months. Foreign buyers are a little afraid of entering into large contracts. Shellac prices for March delivery dropped owing to liquidation in London. Supplies are much in excess of the extraordinary demand, and the next Bysacki crop is expected to be favourable.

Some 20,000 packages of end-of-season tea were available for auction, and prices were well above those ruling before Christmas. The market for hides has declined somewhat, and export business in skins is limited, but the market is, on the whole, firm.

Rangoon.—The rice market has been quieter and prices have declined. Freight shortage has held up European and Far Eastern demand. Owing to the large Bengal crop it is unlikely that Calcutta will buy before April. Demand from Bombay has been poor. Later the market steadied following heavy Dutch purchases for April shipment. Paddy supplies are steady and plentiful, but storing will probably start next month and arrivals will decrease. Millers have been making good profits until recently. Prospects for the rice trade during 1937 are good.

In the European timber market miscellaneous enquiry has fallen off, but demand for deck planks is strong. The improvement in the Bombay and Calcutta market has been maintained and prices are firmer.

In the hardware market, the bazaar dealers' high rates and difficulties in obtaining supplies from Japanese, Continental, and British makers, has resulted in offers being received for stock lots from Calcutta merchants. The threat of these cheaper prices is keeping bazaar prices in check to some extent. Offtake has been quiet, but soon buyers should be back in the bazaar from up-country.

Irish Free State

Severe weather conditions in January brought outdoor operations almost to a standstill, and those which were possible were rendered very laborious. Chief of these was the lifting of root crops. Although increased quantities of fodder and roots had to be supplied to outlying stock, the reserves available are considered adequate for all normal requirements. Livestock have suffered from the weather, but are generally reported healthy. Potatoes are plentiful and are keeping well in pits and the market demand continues steady. Supplies of mangels and turnips are considered ample. Yields of the sugar beet crop are generally satisfactory. Demand for cattle at the fairs has caused a slight increase in prices. Flocks of sheep are generally in normal condition, and early lambing is progressing satisfactorily. The number of pigs marketed was slightly below the figure for January last year.

France

The foreign trade returns for January are summarised below :—

	January, 1936 Frs. mill.	January, 1937 Frs. mill.	Difference Frs. mill.
Imports—			
Foodstuffs	565	887	+ 322
Raw materials	1,158	1,959	+ 801
Manufactured articles ...	292	474	+ 182
Total ...	2,015	3,320	+1,305
Exports—			
Foodstuffs	191	283	+ 92
Raw materials	331	575	+ 244
Manufactured articles ...	681	915	+ 234
Total ...	1,203	1,773	+ 570

The adverse visible trade balance for January was Frs.1,547 millions, compared with Frs.812 millions in January, 1936.

The number of registered unemployed on February 13th was 420,597, compared with 487,233 at the same time last year. Railway receipts for January show an increase of Frs.54 millions over January last year.

The following table shows the rise in the cost-of-living index since devaluation (1914 = 100).

1936	January	454	1936	November ...	534
	August	477		December ...	550
	September ...	494			
	October	515	1937	January ...	567

The increase since September is 14·8 per cent. and 24·9 per cent. since January, 1936.

The Stock Exchange was particularly active early in February, with interest directed towards the leading French Industrials, but the raising of the Contango rate to 8 per cent. for the mid-February settlement brought about some realisations. The general tone remains firm, with base metals, oils and commodities predominant.

Le Havre.—Demand for cotton from the French mills was satisfactory, especially for higher grades, of which there is a shortage. Heavy arrivals, mostly of lower grade cotton, have increased stocks from 264,000 to 276,000 bales during the past month. The "futures" market has been fairly active, but speculation is discouraged by the stocks of Loan cotton still held by

the United States Government. These have been protected from the floods, and releases are small and mainly for domestic consumption. The carry-over will be smaller this season, but will be offset by the increase of 10 per cent. in acreage. The first arrivals of Brazilian cotton, for which the outlook is good, have been well up to sample.

Coffee prices at origin have been firm, while demand from the interior has easily absorbed the recent heavy arrivals. Stocks are now 871,000 sacks, against 876,000 sacks a month ago. The "futures" market has been very active, daily sales averaging 50,000 sacks. Prices have varied with changes in speculative activity, but the present undertone is firm.

Lille.—The cotton market has been quieter in most sections and prices have fluctuated within narrow limits with a firm tendency. Mills have orders in hand for many months ahead, with long delays for delivery and reservations as to prices where new business is concerned. Weavers are well occupied, particularly those working coarse counts, as important military contracts have been placed.

The flax market is dull with quotations only nominal, buyers not being interested at present prices. Spinners, with stocks of well-bought raw material, are content with the reduced scale of production consequent on the 40-hour week. Spinners and weavers are well occupied for some months, but higher prices have latterly decreased demand. The "white sales" of the big stores have been disappointing and turnover less than previous years, although prices were below replacement costs.

In general a more conciliatory attitude has improved relations between workers and employers. Occasional disputes are usually settled rapidly. The future remains obscure owing to the rising cost of living, which bids to outpace the increase in spending power.

Roubaix.—The declining tendency of business has lately become accelerated. Transactions are few in the tops market and prices are weak, following falls in the primary markets. Stocks of tops are still low and at the end of January totalled only kilos 7,770,000—an increase of kilos 240,000 over the previous month and a decrease of kilos 4,400,000 below January, 1936. The combing mills have been well employed recently, but the future is obscure. Fair weights of raw wool have arrived but owners are not inclined to put it to the comb

for the time being, and short time may be worked before long. The scouring plants are temporarily stopped for lack of raw material. The spinning section has deteriorated, as it is almost impossible to secure orders on the new prices following the 40-hour week, and it is likely that before long only 32 hours will be worked in the worsted spinning mills. There seems to be no demand for yarns for the industry, but makers of knitting wool are better placed. Most manufacturers are well occupied, but new orders are not forthcoming, and if there is no change within two months short time may well be general.

Belgium

Antwerp.—Business has noticeably declined owing to a lack of buyers. Prices, however, remain fairly firm, especially in the case of cereals and Colonial produce. Coffee has been in great demand at increased prices. Wool has declined steadily on the terminal market from a peak price of Frs.48 to one of Frs.42. Traffic in the port of Antwerp remains satisfactory. The diamond industry is in full swing and transactions are numerous. The Stock Exchange has been active though irregular. Belgian Government Bonds are firm but the upward rise in other shares seems to have stopped.

Brussels.—In the iron and steel trade both home and export demand remains intense, but in view of the difficulty of obtaining raw material, particularly coke and coal, the maintenance of production causes anxiety, and there can be no question of increasing it. As regards coal, the Government has taken no decision on such questions as prices, exceptions to the 45-hour week, or the employment of foreign labour. In the meantime increased prices are being applied. Demand for industrial categories is good, but in domestic qualities business is quieter, and the French demand has seriously fallen off.

Germany

The seasonal increase of unemployment in January from 1,479,000 to 1,853,000 was worse than expected. It was due partly to the holding up of building operations owing to the cold weather and partly to a shortage of certain raw materials. Some industries are working at capacity so that State orders cannot be fulfilled. New capital is becoming urgently needed, and several heavy industry firms have issued 5 per cent.

debentures. A comparison of foreign trade in 1936 with the three preceding years is not unfavourable. Exports were 12 per cent. above those of 1935, mainly owing to an increase in finished goods. Owing to higher prices the value of imports rose by 3 per cent., but restrictions actually reduced the quantity of imports. The export surplus totalled Rm.550 millions. A large proportion of this is used for covering adverse balances in clearing accounts, i.e., for paying off old import debts, and some is used for foreign travel and the transfer of interest payments. Last autumn's devaluations caused certain losses. Over a longer period the trend is more satisfactory, as the following table shows :—

Year	Total Turnover Rm. mill.	Imports Rm. mill.	Exports Rm. mill.	Surplus Rm. mill.
1928 ...	26,277	14,001	12,276	−1,725
1929 ...	26,930	13,447	13,483	+ 36
1930 ...	22,429	10,393	12,036	+1,643
1931 ...	16,326	6,727	9,599	+2,872
1932 ...	10,406	4,667	5,739	+1,072
1933 ...	9,075	4,204	4,871	+ 667
1934 ...	8,618	4,451	4,167	− 284
1935 ...	8,429	4,159	4,270	+ 111
1936 ...	8,986	4,218	4,768	+ 550

Roughly speaking, Germany's foreign trade reached about one-third of the normal level.

Holland

A striking result of the depreciation of the guilder is the abundance of money. This may be due to deliberate intervention by the Exchange Equalisation Fund, but this is impossible to ascertain as its operations are secret. During the last few months Fl.300 millions of gold has returned to the country, and this may be taken as the minimum of repatriated capital. Money has also been brought into circulation by the Exchange Fund borrowing from the Nederlandsche Bank for the purpose of buying foreign exchange. Lately, however, this tendency has diminished as the guilder shows less inclination to raise, probably owing to the liquidation of a large number of forward contracts. There is still a heavy potential demand for guilders as a result of heavy world purchases of East Indian products at increased prices. A change of outlook is reflected in the statement of the Prime Minister that should the guilder be stabilised, due regard will be had to the financial position of the country and the requirements of business. Public

finance is taking every advantage of the earnings of money. The Governments of both Holland and the Netherlands East Indies have issued 3 per cent. loans, now quoted at 98 and 96 per cent. respectively, while a number of municipal loans have been converted to a 3½ per cent. basis. Issues for new money, however, have been very limited. Business interests are making practically no calls on the money market, as rationalisation has left them well supplied with liquid funds. An exception is the renovation of the antiquated shipping fleets. The Holland America has had a share issue, facilitated by the Government's writing off of its advances made, free of interest, in 1936. It is presumed that advances to other companies, totalling Fl.8 millions, will also be written off.

Wholesale prices continue to rise slowly, and the increase amounts since September to about 15 per cent. The cost of living has risen hardly at all. Wage rates remain unchanged. There is an increase of activity in the ports of Rotterdam and Amsterdam. Unemployment shows a decline in spite of the fact that normally there is a seasonal increase at this time. Netherlands East Indian finances are improving and their industries are making larger profits. The increased price of rubber has made it possible to reduce the import duty for 1938. The Stock Exchange shows a lively demand for shares, now that bonds are being converted to lower rates. Interest centres on rubber, tobacco, and Netherlands industrials. The ruling rate for private discount is only ¼ per cent.

Norway

The trade returns for January are summarised below :—

	Jan. 1936	Dec. 1936	Jan. 1937
Imports	64·1	92·4	91·6
Exports	55·5	74·5	63·2
Import surplus	8·6	17·9	28·4

The following table gives the December index number of industrial production (first half of 1933 = 100).

	Home Industries.		Export Industries		All Industries	
	Nov.	Dec.	Nov.	Dec.	Nov.	Dec.
1934 ...	111	105	110	115	111	109
1935 ...	120	118	126	112	122	116
1936 ...	137	130	121	120	131	127

The general cost-of-living index for January 15th rose one point to 158 (July, 1914=100).

The Government has obtained a loan in New York of \$29 millions at 4 per cent., to be redeemed in 26 years with right of conversion in 5 years. It will be used for the conversion of the 5 per cent. dollar loan of 1928, the annual saving being upwards of Kr.1 million.

At the end of January only 8 vessels, aggregating 19,975 tons d.w., were lying idle. During 1936 the mercantile marine of Norway increased by 14 ships and 148,000 tons gross. The number of steamers fell by 16 vessels, and the number of motor ships increased by 31 ships. At the turn of the year the fleet totalled 1,874 vessels, being 1,371 steamers, 430 motor vessels, 68 motor auxiliaries, and 5 sailing vessels. In addition 121 ships were either being built or on order.

It is reported that a parcel of 5,000 tons of whale oil has been sold to a London buyer at £22 10s. a ton, for delivery next summer. The Whaling Association stated officially that 80,000 tons of whale oil was tendered to Germany at £22 11s. a ton, following long negotiations concerning the sale of whale oil, but the offer was rejected.

Sweden

Demand in the timber market has increased, principally from English importers, whose readiness to accept the new Russian offer, at enhanced prices, of about 40,000 standards, is an indication of the firmness of prices. Swedish sellers are hesitating to place the remainder of the year's production on the market, and it is felt that relatively low bids for the 500,000 standards already sold were too readily accepted. The French market has slowly improved, and sales to Belgium and Holland have been more lively of late. Business with Denmark and Germany is slacker owing to exchange difficulties.

The pulp market is still extraordinarily firm, and buying is keen for next year's as well as for this year's shipments. In view of the heavy demand for sulphite, the Sulphite Pulp Suppliers, a European organisation, has decided to waive the restrictions on output imposed on its members in 1930. In spite of substantial improvement, the 1929 price level has not yet been reached. It is believed that bleached sulphite and both bleached and unbleached sulphate are almost completely

sold out for 1937. For delivery in 1938, sales of unbleached sulphite in particular have been considerable. The mechanical pulp market is improving, and there is a scarcity for delivery this year. Sales are mostly for shipment in 1938.

On the paper market the tone continues to be lively and firm. Sales are good and increasing, buyers being anxious to cover their requirements early, in view of the upward trend of prices. Newsprint producers have placed their entire output for the current year, and extra lots command a higher price. Kraft paper is becoming scarce and only a few mills can undertake substantial deliveries within the six months' period to which members of the combine are limited.

The higher prices in the iron market have not daunted buyers, nor have the protracted delivery dates. The scarcity of pig-iron is acute, though less for the quality used for steel manufacture than for foundry pig-iron, the Swedish production of which for 1937 was used up long ago. Supplies from the United States are still available. The export of iron ore amounted in January to 808,600 tons, compared with 773,400 tons in January, 1936.

Denmark

Several Bills entailing increased Government expenditure have been submitted to Parliament, and Civil Servants are claiming higher wages. Meanwhile, the strained foreign exchange position is forcing the National Bank to restrict credit, partly by the selling of its gilt-edged bonds. The economic outlook is consequently rather obscure. Another adverse factor is the inability of the Exchange Control Office to fulfil its various functions. It has failed to secure a favourable balance, and owing to various trade agreements purchases from abroad have not always been made on a sound commercial basis, so that the country has been losing about Kr.100 millions yearly in excessive prices. Trade, industry and shipping have united to propose the discontinuance of the whole system, but the Government is of the opinion, that with some alterations this is the best system under the circumstances, and the proposal was rejected. A new Bill has been drafted, but trade regards it with no enthusiasm.

Fears of dearer money have led to a general weakness in bonds. The share market is irregular, excellent reports of 1936

business counteracting an underlying weakness. Shipping results are not yet known, but as the December freight index was 153·9 against 138·9 in November and 126·7 in December, 1935, expectations run high. The National Bank, which formerly closed its year on July 31st, has now adopted the calendar year, and in 17 months has earned a surplus of Kr.6·7 millions. Out of this amount the State receives Kr.3 millions, Kr.1·4 millions goes to the reserves and Kr.2·3 millions are written off on the Government Bond. The State has also received Kr.2·4 millions as fees for permission to depart from the rules regarding cover for the note circulation.

The wholesale price index rose by one point in January to 137, but this development is unfavourable as the import price index rose from 149 to 152, while the export price index fell from 146 to 142. A year ago the import price index was 18 points below the export price index, but it is now 10 points above it. Agricultural prices have been irregular, with higher butter and egg quotations and lower bacon prices. The cold weather reduced the production of butter and eggs. Unemployment shows a further rise in the month from 121,889, or 28·5 per cent. of all registered workers to 134,934, or 31·3 per cent., which is 1·5 per cent. above a year ago. Imports in January totalled Kr.140·1 millions, and exports Kr.117·0 millions. The import surplus is thus Kr.23·1 millions, which compares with Kr.32·2 millions in January last year.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Federal Government Bonds have shown slight weakness during this month as has also the sterling exchange. This is considered to be almost entirely due to the sales by the German Government of foreign holdings which German nationals have had to hand over in accordance with existing laws in that country. It appears that the proceeds have been converted mostly into sterling. The tourist industry still reports a very good winter sports season, and foreign visitors are very numerous. The Canton of Geneva has just completed the issue at 97½ of a Consolidation Loan of Fr.20,000,000—bearing interest at 4 per cent. The issue has been very successful, more than fifty million francs having been subscribed.

Morocco

From the Bank of British West Africa Limited

Business conditions in the French zone have been dull owing to uncertainty as to the future of the franc and also because of unfavourable reaction to the new taxation needed to meet the budget deficit. On the other hand the agricultural outlook continues to be promising and good rains have fallen throughout the country. Severe storms at the end of January damaged the harbours of Casablanca and Tangier.

In the exports trades there has been a good demand from France for maize, barley and eggs. Import business has been quiet, cottons falling by 6 to 10 per cent. in price, but green tea is in steady demand with prices tending to rise. Imports for 1936 totalled 861,000 tons valued at Frs.1,206 millions, against 846,000 tons and Frs.1,139 millions in 1935. Exports totalled just over 2 million tons valued at Frs.807·4 millions, against Frs.621·3 millions in 1935. Exports of phosphates totalled nearly 1¼ million tons, Europe taking all but 100,000 tons, with Italy the largest purchaser. The port of Casablanca cleared 1,417 vessels in 1936, with gross tonnage of 7·7 millions, against 1,430 in 1935 with gross tonnage 7·4 millions. An International Fair is to be held at Casablanca from April 10th to 25th, 1937.

The United States

Prospects of balancing the budget in the next year or so are very small, and can only result from unexpectedly higher tax yields. The recent disastrous floods will impose an additional burden on the Treasury. Mr. Roosevelt has sent a special message to Congress urging the adoption of a six-year plan for the orderly development of the country's resources. This would involve an expenditure of at least $5,000 millions, to be divided roughly as follows :—

Per cent.	
24	Irrigation, drainage and flood control.
25	Streets and highways.
17	Buildings and equipment.
8	Soil conservation.
8	Slum clearance, sewage, recreational projects.
6	Forestry, game protection and pest control.
6	Elimination of railway level crossings.
6	Navigation aids.

The proposed reform of the judiciary is highly complicated, but its most important item is the increase in the size of the Supreme Court to fifteen members.

The strike at the General Motors Corporation was at last settled by a compromise between the two parties, but it is not felt that this will be by any means the end of the labour troubles. It is unfortunate that strikes, controversial legislation and natural disaster should combine to undermine confidence, but there is now a general atmosphere of uncertainty. Moreover, in spite of mighty efforts to improve the situation, there are still between 8½ and 9 millions of unemployed.

Money remains easy and in good supply. The Federal Reserve Board has ordered that members of the system must increase their legal reserves by a further 50 per cent. over the 50 per cent. made effective on August 1st last, and making 100 per cent. in all. One half of the new increase is to come into force on March 1st and the balance on May 1st. Brokers' loans on January 30th at $1,026 millions were about $25 millions lower than at the end of 1936.

The bullish sentiment in the sugar market has been upset by the Government proposal of a processing tax of ½ or 1 cent per pound. The rubber market has been affected by the labour troubles in the automobile industry and quotations have fallen. As far as the United States is concerned the statistical position of copper is strong, and it is felt that renewed demand from the automobile industry and the devastated flood areas will make it difficult to maintain adequate supplies. The strength of the European market is held to be due to speculation. Trading in tin is normal and local demand for lead is at the moment not over strong, but if the London market strengthens further, prices may rise. Zinc is affected by foreign influences and seems firm.

Owing to the threat of floods, some blast furnaces had to be temporarily banked. Nevertheless, the estimated January production of pig-iron is 3,212,135 tons, compared with 3,115,027 tons for December. Steel scrap prices are so high that manufacturers are turning more to pig-iron, and demand is not confined to the United States. However, Mr. Lewis' threat of strikes if his demands to be presented in April are not met is a deterrent, and many consumers are now placing

heavy orders. Mills are said to be working at 80 per cent. of capacity.

Up to the present exports of raw cotton have totalled 3,508,084 bales, or considerably less than last year's figure of 4,133,330 bales to the same date. Little definite news has transpired concerning cotton held by Government agencies as loan collateral, which hangs oppressively over the market. Speculation has been small and price movements narrow. Business in cotton and woollen textiles is moderate, but owing to an accumulation of orders mills are satisfied with their present position. Relief work in the flood areas is creating a heavy demand for the cheaper grades.

South America

From the Bank of London and South America

Argentina.—Scattered rains have fallen in the Centre, while in the North general rains will improve maize that has been merely retarded, but there are large areas where the dry weather has killed the plant. In the interior high temperatures and strong winds have had an adverse effect, but rains have now fallen generally. Near the littoral the maize crop is assured. Large quantities of wheat have been shipped to Germany, Greece and Great Britain, and linseed shipments have been above average. The railways are working at full pressure and the difficulty is to bring the grain to the ports. In respect of both volume and value, total Argentine exports in January were nearly double those in the same month last year, and are the highest ever registered. This was due mainly to shipments of wheat and maize and to the higher prices prevailing. Wool shipments have also increased.

The Government has issued a Conversion Loan of U.S. $70 millions at 4 per cent. for 35 years, to convert from 6 per cent. about half the balance of loans to the United States. Various provincial debt redemptions are announced.

Brazil.—Opinions differ as to the prospects of the 1937 cotton crop. Official sources suggest that it will not exceed that of last year, but other well-informed opinion maintains that damage from heavy rains and pests has been exaggerated, and that the yield may exceed 200,000 tons, or 25,000 tons more than in 1936. Exports of coffee have been held up by

carnival holidays. Prices rose sharply recently, and subsequently reacted, both movements being due to speculation. Quotations are now nominal. The future of the price level remains uncertain, and there is some apprehension that it may rise above the level of the consuming markets. Official support of the coffee market has not been abandoned.

Japan

A report cabled at the end of February states that the ministerial crisis in Tokyo has had little effect on the general trend of business. January statistics show that production, prices, and bank clearings are continuing their upward movement. Imports and exports in the first three weeks of February show considerable advances. The budget has now been revised and the radical taxation programme abandoned. This is a considerable relief to business circles. Confidence has revived in the new capital market and the improvement is reflected in quotations for industrial securities. Meanwhile, the rising prices are bringing up the question of strikes for wage increases.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
„ „ 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
„ „ 1936	406·5	11·0	246·5	1·5	1·0	260·0	200·6
Feb. 17, 1937	453·3	11·0	186·9	2·1	—	200·0	313·7
Feb. 24, 1937	455·1	11·0	186·6	2·4	—	200·0	313·7

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
„ „ 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
„ „ 1936	18·0	83·6	37·0	80·3	5·0	16·7	54·9	39·6
Feb. 17, 1937	24·4	90·6	36·7	83·1	5·5	20·4	60·8	40·1
Feb. 24, 1937	13·0	100·4	37·9	85·0	4·9	20·3	59·3	39·2

LONDON CLEARING BANKS (monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash.	Balances and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
„ 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
„ 1936*	2,108·3	105·2	216·7	53·8	162·4	252·0	635·1	849·2
Dec., 1936*	2,315·4	109·1	244·1	69·7	195·1	322·2	659·8	884·6
Jan., 1937*	2,307·2	110·6	237·7	59·7	179·4	345·1	669·3	880·0

* Includes the District Bank.

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing	Metropolitan Clearing	Country Clearing	Total
	£ mn.	£ mn.	£ mn.	£ mn.
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1935	32,444	1,887	3,229	37,560
1936	35,039	2,040	3,538	40,617
1936 to **Feb.** 24	5,047	322	547	5,916
1937 to **Feb.** 26	6,017	351	607	6,975
1936, **Feb. (4 weeks)** ...	2,566	154	267	2,987
1937, **Feb. (4 weeks)** ...	3,142	172	299	3,613

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1929	Mar., 1932	Mar., 1933	Mar., 1934	Mar., 1935	Mar., 1936	Dec., 1936	Jan., 1937
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·9	9·0	9·7	11·3	9·6	10·7	13·9	14·0
Bradford	5·9	3·4	3·3	4·2	3·8	4·7	5·0	5·2
Bristol	5·3	4·9	5·0	5·4	4·9	5·5	5·8	5·5
Hull	4·0	3·0	3·2	3·2	3·2	3·4	3·7	4·3
Leeds...	4·4	3·8	3·8	4·4	4·3	3·9	4·2	5·4
Leicester	3·6	3·1	3·1	3·3	2·8	3·1	3·3	3·6
Liverpool	34·2	25·6	25·6	26·8	25·8	27·5	30·9	32·8
Manchester	58·0	42·5	42·1	46·1	42·8	44·9	48·1	48·4
Newcastle-on-Tyne...	6·5	5·7	6·5	6·9	5·5	5·7	6·5	6·2
Nottingham	2·8	1·9	1·9	2·0	2·0	2·1	2·3	2·5
Sheffield	4·6	3·3	3·5	3·6	3·4	4·3	4·9	4·8
	141·2	106·2	107·7	117·2	108·1	115·8	128·6	132·7

LONDON AND NEW YORK MONEY RATES

	London.					New York.		
	Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate	Call Money.	Accept-ances.
	Percent.	Percent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1931	3	2 17/32	2 9/16–2 5/8	2 9/16–2 5/8	2–2 1/2	2	1 1/2	1 5/8
,, ,, 1932	3 1/2	2 5/32	1 7/8	2 1/8–2 1/4	2–3	3	2 1/2	2 1/8
,, ,, 1933	2	19/32	9/16–5/8	5/8	1/2–1	3 1/2	3	2 1/8
,, ,, 1934	2	23/32	7/8	15/16	3/4–1	1 1/2	1	3/8
,, ,, 1935	2	1/2	1/2–17/32	9/16–5/8	1/2–1	1 1/2	1	3/16
,, ,, 1936	2	17/32	1/2	17/32–9/16	1/2–1	1 1/2	3/4	3/16
Jan. 27th, 1937	2	17/32	1/2	17/32–9/16	1/2–1	1 1/2	1	3/16
Feb. 24th, 1937	2	9/16	1/2	9/16	1/2–1	1 1/2	1	3/16

FOREIGN EXCHANGES

London on	1935	1936	1937				
	Feb. 27	Feb. 26	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
New York—							
(a) Spot ...	4·76 1/4	4·99 3/16	4·90 3/16	4·89 7/8	4·89 3/4	4·89 7/16	4·89 1/32
(b) 3 months	3/16c. pm.	25/32c. pm.	3/4c. pm.	25/32c. pm.	23/32c. pm.	5/8c. pm.	11/16c. pm.
Montreal ...	4·82 1/4	4·98 3/8	4·90 3/8	4·89 7/8	4·89 7/8	4·89 5/8	4·89
Paris—							
(a) Spot ...	72 7/32	74 25/32	105 1/8	105 1/8	105 1/16	105 1/8	105 1/8
(b) 3 months	24 1/2c. dis.	Fr.1 9/16 dis.	Fr. 3 dis.	Fr.2 15/16 dis.	Fr.2 15/16 dis.	Fr.2 5/8 dis.	Fr.2 13/16 dis.
Berlin—							
(a) Official ...	11·85	12·29	12·18	12·18	12·17	12·16 1/2	12·16
(b) Registered Marks	40 1/2% dis.	43 1/2% dis.	54 1/2% dis.	52% dis.	52% dis.	52% dis.	51 3/4% dis.
Amsterdam ...	7·04	7·27 1/4	8·95	8·94 3/4	8·96 1/2	8·95 1/2	8·93 1/4
Brussels ...	20·40	29·32	29·07 1/4	29·05 3/4	29·04 1/2	29·03 1/2	29·02 1/4
Milan	57 5/16	62 1/8	93 5/32	93 1/16	93	93	92 15/16
Zurich ...	14·70	15·11 1/2	21·44 1/2	21·41 1/2	21·46 1/2	21·46	21·44
Stockholm ...	19·39 3/4	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2
Madrid ...	34 27/32	36 3/32	70·00*	70·50*	71·00*	71·50*	72·00*
Vienna... ...	25 1/4	26 1/4	26 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Prague... ...	113 15/16	119 1/4	140 1/8	140 3/8	140 7/16	140 5/16	140 5/16
Buenos Aires—							
(a) Export ...	15	15	15	15	15	15	15
(b) Import ...	16·92	17·03	16·00	16·00	16·00	16·00	16·00
(c) Free ...	18·91	18·07 1/2	16·40	16·27	16·22	16·25	16·27
Rio de Janeiro—							
(a) Official ...	4 1/4	4 3/16	4 9/32	4 9/32	4 9/32	4 9/32	4 9/32
(b) Free ...	3 7/32	2 25/32	3 1/32	3 1/32	3 1/32	3 1/32	3 1/32
Valparaiso ...	92·10	128	131 1/2*	131 1/2	131 1/2	131 1/2	131 1/2
Bombay ...	18 3/8d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.
Hong Kong ...	23 15/16d.	15 3/4d.	14 13/16d.	14 15/16d.	14 13/16d.	14 15/16d.	14 13/16d.
Kobe	1/2 1/16	1/1 29/32	1/2	1/1 31/32	1/1 31/32	1/2	1/2
Shanghai ...	19 3/8d.	14 9/16d.	14 1/2d.	14 5/8d.	14 5/8d.	14 5/8d.	14 5/8d.
Gold price ...	145s. 6d.	141s. 0 1/2d.	141s. 11d.	141s. 11d.	142s. 0 1/2d.	142s.0 1/2d.	142s. 2 1/2d.
Silver price ...	27 1/8d.	19 3/4d.	20 7/16d.	20 1/16d.	20d.	20 1/16d.	20 1/16d.

* Nominal.

PUBLIC REVENUE AND EXPENDITURE

	1932–3	1933–4	1934–5	1935–6	1935–6 to Feb. 22	1936–7 to Feb. 20
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
REVENUE—						
Income Tax	251·5	228·9	228·9	238·1	193·3	203·0
Sur-Tax	60·7	52·6	51·2	51·0	35·8	36·5
Estate Duties...	77·1	85·3	81·3	87·9	77·7	76·4
Stamps	19·2	22·7	24·1	25·8	18·9	22·2
Customs	167·2	179·2	185·1	196·6	175·8	186·3
Excise	120·9	107·0	104·6	106·7	98·7	100·8
Motor Vehicles Duties (Exchequer Share) ...	5·0	5·2	5·1	5·0	4·8	5·4
Other Tax Revenue	3·1	2·6	3·1	2·1	1·1	1·0
Total Tax Revenue	704·7	683·5	683·4	713·2	606·1	631·6
Post Office	10·9	13·1	12·2	11·7	15·4	14·7
Crown Lands...	1·2	1·2	1·3	1·4	1·2	1·3
Receipts from Sundry Loans	5·1	4·7	4·4	4·9	4·9	4·5
Miscellaneous Receipts ...	22·9	22·1	15·1	21·7	17·1	16·6
Total Non-Tax Revenue ...	40–1	41·1	33·0	39·7	38·6	37·1
Total Ordinary Revenue ...	744·8	724·6	716·4	752·9	644·7	668·7
Post Office	59·3	59·3	61·8	66·1	56·5	61·1
Road Fund	22·9	25·5	26·4	25·8	25·1	26·7
Total Self-balancing Revenue ...	82·2	84·8	88·2	91·9	81·6	87·8
EXPENDITURE—						
National Debt Interest ...	262·3	212·9	211·6	211·5	199·5	199·8
Payments to N. Ireland ...	7·0	6·6	6·8	7·2	4·9	5·8
Other Cons. Fund Services ...	3·3	4·1	3·6	5·7	3·0	2·8
Post Office Fund	—	—	2·3	1·1	1·1	0·4
Supply Services	458·3	458·8	472·2	512·0	444·9	484·4
Total Ordinary Expenditure ...	730·9	682·4	696·5	737·5	653·4	693·2
Sinking Fund	17·2	7·7	12·3	12·5	7·3	7·4
Payments to U.S. Govt. ...	29·0	3·3	—	—	—	—
Self-balancing Expenditure (as per contra)	82·2	84·8	88·2	91·9	81·6	87·8

PRODUCTION

	Coal	Pig-Iron	Steel
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,969	8,850
„ 1935	222·9	6,426	9,842
„ 1936	228·5	7,686	11,705
January, 1936	21·6	595	912
January, 1937	19·5	651	999

BOARD OF TRADE PRODUCTION INDEX NUMBER (1930 = 100)

	Complete Year		1935	1936			
	1935.	1936.	4th Qr.	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
Mines and Quarries	91·7	94·4	98·1	100·6	88·4	89·7	99·1
Iron and Steel...	125·6	150·1	133·3	146·2	149·5	149·1	155·6
Non-Ferrous Metals	137·3	143·8	132·1	134·8	140·9	145·3	154·0
Engineering and Shipbuilding	104·8	123·1	108·0	116·3	122·4	121·6	132·2
Building Materials and Building	147·0	156·8	150·2	148·8	157·8	164·3	156·2
Textiles	118·9	126·1	126·5	126·9	124·4	122·7	130·2
Chemicals, Oils, etc.	110·6	114·3	119·0	115·5	112·0	110·6	119·2
Leather and Boots and Shoes	116·0	120·7	122·1	126·0	120·9	116·3	119·5
Food, Drink and Tobacco ...	107·6	114·5	113·9	106·9	114·5	115·2	121·2
Total*	113·5	124·5	120·7	123·1	123·4	122·4	132·1

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date	1930	1931	1932	1933	1934	1935	1936	1937
End of—								
January	12·4	21·5	22·4	23·1	18·6	17·6	16·2	12·6
February	12·9	21·7	22·0	22·8	18·1	17·5	15·3	
March	13·7	21·5	20·8	21·9	17·2	16·4	14·2	
April	14·2	20·9	21·4	21·3	16·6	15·6	13·6	
May	15·0	20·8	22·1	20·4	16·2	15·5	12·8	
June	15·4	21·2	22·2	19·4	16·4	15·4	12·8	
July	16·7	22·0	22·8	19·5	16·7	15·3	12·4	
August	17·1	22·0	23·0	19·1	16·5	14·9	12·1	
September	17·6	22·6	22·8	18·4	16·1	15·0	12·1	
October	18·7	21·9	21·9	18·1	16·3	14·5	12·1	
November	19·1	21·4	22·2	17·9	16·3	14·5	12·2	
December	20·2	20·9	21·7	17·5	16·0	14·1	12·2	

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1932	Mar., 1933	Mar., 1934	Mar., 1935	Jan., 1936	Mar., 1936	Dec., 1936	Jan., 1937
Number of Insured Persons unemployed—								
Wholly unemployed	2,129	2,205	1,814	1,727	1,695	1,551	1,353	1,415
Temporarily stopped	427	511	317	324	351	240	198	188
Normally in casual employment ...	104	105	94	92	85	88	71	74
Total	2,660	2,821	2,225	2,143	2,131	1,879	1,622	1,677

RAILWAY TRAFFIC RECEIPTS

	Four weeks ended				Aggregate for 7 weeks.			
	Feb. 23, 1936.		Feb. 21, 1937.		1936.		1937.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	1·1	2·1	1·1	2·2	0·6	1·2	0·6	1·2
London & North Eastern*	1·7	4·1	1·8	4·1	1·0	2·3	1·0	2·3
London Midland & Scottish	2·5	5·2	2·6	5·3	1·5	3·0	1·5	3·1
Southern	1·7	0·7	1·7	0·6	0·9	0·4	1·0	0·4
Total	7·0	12·1	7·2	12·2	4·0	6·9	4·1	7·0

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	Jan., 1934	Jan., 1935	Jan., 1936	Dec., 1936	Jan., 1937
By CATEGORIES: Great Britain	%	%	%	%	%
Total	+ 3·9	+ 4·2	+10·8	+ 5·5	+ 2·4
Food and Perishables	+ 3·1	+ 4·3	+12·7	+ 7·2	+ 3·5
Other Merchandise of which					
Piece-goods*	+ 6·1	− 2·8	+ 1·8	+ 0·9	− 3·0
(i) Household Goods ...	+ 3·4	− 1·5	+ 5·3	+ 1·5	− 0·4
(ii) Dress Materials	+ 7·5	− 3·8	− 1·6	+ 0·4	− 5·4
Women's Wear*...	+ 4·0	+ 3·1	+10·0	+ 5·5	− 2·6
(i) Fashion Departments ...	+ 4·5	+ 7·1	+15·3	+ 9·9	− 6·9
(ii) Girls' and Children's Wear	− 4·3	+ 3·8	+ 2·4	+ 5·1	+ 2·3
(iii) Fancy Drapery	+ 4·7	Nil	+ 6·7	+ 3·2	+ 0·7
Men's and Boys' Wear	+ 8·3	+ 7·2	+11·8	+ 2·9	+ 8·5
Boots and Shoes...	+ 1·6	+ 9·2	+10·0	+ 7·7	− 1·7
Furnishing Departments ...	+15·0	+ 3·9	+ 4·9	+ 4·7	+ 3·4
Hardware	+ 9·9	− 0·6	+ 7·9	− 1·9	+ 0·1
Fancy Goods	− 4·2	+ 5·5	+ 7·8	+ 0·4	+ 9·6
Sports and Travel	+ 6·2	+ 7·8	+ 8·4	+ 4·2	+ 7·5
Miscellaneous and Unallocated	+ 3·2	+ 4·3	+13·5	+ 6·5	− 2·8
By AREAS—					
All Categories—					
Scotland	Nil	+ 6·9	+11·6	+ 3·8	+1·7
Wales and North of England...	+ 3·2	+ 3·4	+10·5	+ 5·4	+3·5
South of England	+ 3·5	+ 4·6	+12·0	+ 6·6	
London, Central & West End	+ 7·0	+ 3·0	+ 7·4	+ 1·7	−2·3
London, Suburban	+ 4·3	+ 5·2	+13·0	+ 7·4	+3·4

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports. Food.	Imports. Raw Materials.	Imports. Manufactured Goods.	Imports. Total.	Exports. Food.	Exports. Raw Materials	Exports. Manufactured Goods.	Exports. Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935	29·6	17·7	15·4	63·0	2·6	4·4	27·4	35·5
1936	31·9	20·7	17·7	70·7	3·0	4·3	28·4	36·7
Jan., 1936	31·2	22·4	16·0	70·0	2·8	4·1	26·6	34·5
Jan., 1937	31·9	25·7	17·6	75·6	3·0	5·1	29·9	39·1

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	989	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,552	392	1,052	657	116	187	395	114
1935	8,435	415	1,060	720	141	185	325	96
1936	8,401	587	1,289	762	157	307	116	124
Jan., 1936	6,641	579	1,422	945	130	220	208	120
Jan., 1937	5,304	472	1,621	926	119	143	86	83

SOME LEADING EXPORTS

Date.	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,772	2,904
1935	3,226	193	32	11·8	162	5,934	3,205	3,659
1936	2,878	184	32	12·6	160	6,523	3,304	4,268
Jan., 1936	2,793	165	30	12·9	167	7,315	3,429	3,453
Jan., 1937	2,987	215	30	13·8	161	7,848	3,980	4,778

PRICES

1. WHOLESALE PRICES

Date	Index Number (Sept. 16th, 1931 = 100)				
	U.K.	U.S.A.	France	Italy	Germany
Average 1929	150·9	139·4	141·3	146·0	126·1
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
1935	108·1	120·3	78·4	—	93·5
1936	116·2	121·4	90·6	—	95·6
End Jan., 1936 ...	113·0	121·8	82·3	—	95·1
„ Feb., 1936 ...	112·7	120·7	84·5	—	95·2
„ Jan., 1937 ...	130·3	131·0	115·9	—	95·7
„ Feb., 1937 ...	131·5	131·8	116·6	—	96·2

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistiche Reichsamt.

2. RETAIL PRICES (cost of living)

Date	Food	Rent (including Rates)	Clothing	Fuel and Light	Other Items included	All Items included
End of 1929 ...	57	52	115	75	80	66
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	44
1935 ...	31	58	85	75	70	47
End Jan., 1936...	30	58	85–90	75	70	47
„ Dec., 1936...	36	59	90–95	75–80	70	51
„ Jan., 1937...	35	59	95	75–80	70–75	51

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber Plantation, Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
Average 1929 ...	54 0¾	9 0⅛	10·29	38⅞	70 4½	203 15/16	10⅛
1931 ...	28 2¾	6 4¾	5·08	23 1/16	58 7	118⅛	3⅛
1932 ...	30 6¼	5 9⅜	5·29	22 1/16	58 6	136 3/32	2 3/16
1933 ...	28 2	5 4	5·53	28 5/16	62 3	194 13/16	3¼
1934 ...	30 11	4 8⅛	5·66	30 31/32	66 10½	230	6 3/16
1935 ...	34 3½	4 8	6·69	28	67 10	225 19/32	5 21/32
1936 ...	38 0	4 8⅞	6·67	32 15/16	73 0	204 19/32	7 21/32
Jan., 1936 ...	36 6	4 10	6·21	32 1/16	70 0	209 15/16	6 11/16
Dec., 1936 ...	49 4½	5 11¾	6·92	36	81 0	229¼	9 11/16
Jan., 1937 ...	52 0	6 2½	7·28	37 11/16	81 0	232 3/32	10 7/16

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88·7
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90·4
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100.

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Plantation,
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